



# U.C.C. - ARTICLE 3 - NEGOTIABLE INSTRUMENTS

*Copyright 1978, 1987, 1988, 1990, 1991, 1992 by The American Law Institute and the National Conference of Commissioners on Uniform State Laws; reproduced, published and distributed with the permission of the Permanent Editorial Board for the Uniform Commercial Code for the limited purposes of study, teaching, and academic research.*

*Published by the Legal Information Institute, Cornell Law School, Jan. 2003. For the version of this article (and other uniform laws) adopted by a particular state visit the LII's Uniform Commercial Code Locator page at: <http://www.law.cornell.edu/uniform/ucc.html>*

*Decisions and related materials in the commercial law field generally are available at: <http://www.law.cornell.edu/topics/commercial.html>*

## PART 1. GENERAL PROVISIONS AND DEFINITIONS

### § 3-101. SHORT TITLE.

This Article may be cited as Uniform Commercial Code -- Negotiable Instruments.

### § 3-102. SUBJECT MATTER.

(a) This Article applies to negotiable instruments. It does not apply to money, to payment orders governed by Article 4A, or to securities governed by Article 8.

(b) If there is conflict between this Article and Article 4 or 9, Articles 4 and 9 govern.

(c) Regulations of the Board of Governors of the Federal Reserve System and operating circulars of the Federal Reserve Banks supersede any inconsistent provision of this Article to the extent of the inconsistency.

### § 3-103. DEFINITIONS.

(a) In this Article:

(1) "Acceptor" means a drawee who has accepted a draft.

(2) "Drawee" means a person ordered in a draft to make payment.

(3) "Drawer" means a person who signs or is identified in a draft as a person ordering payment.

(4) [reserved]

(5) **"Maker"** means a person who signs or is identified in a note as a person undertaking to pay.

(6) **"Order"** means a written instruction to pay money signed by the person giving the instruction. The instruction may be addressed to any person, including the person giving the instruction, or to one or more persons jointly or in the alternative but not in succession. An authorization to pay is not an order unless the person authorized to pay is also instructed to pay.

(7) **"Ordinary care"** in the case of a person engaged in business means observance of reasonable commercial standards, prevailing in the area in which the person is located, with respect to the business in which the person is engaged. In the case of a bank that takes an instrument for processing for collection or payment by automated means, reasonable commercial standards do not require the bank to examine the instrument if the failure to examine does not violate the bank's prescribed procedures and the bank's procedures do not vary unreasonably from general banking usage not disapproved by this Article or Article 4.

(8) **"Party"** means a party to an instrument.

(9) **"Promise"** means a written undertaking to pay money signed by the person undertaking to pay. An acknowledgment of an obligation by the obligor is not a promise unless the obligor also undertakes to pay the obligation.

(10) **"Prove"** with respect to a fact means to meet the burden of establishing the fact (Section 1-201(b)(8)).

(11) **"Remitter"** means a person who purchases an instrument from its issuer if the instrument is payable to an identified person other than the purchaser.

(b) Other definitions applying to this Article and the sections in which they appear are:

"Acceptance"      Section 3-409

"Accommodated party"      Section 3-419

"Accommodation party"      Section 3-419

"Alteration"      Section 3-407

"Anomalous indorsement"      Section 3-205

"Blank indorsement"      Section 3-205

"Cashier's check"      Section 3-104

"Certificate of deposit"      Section 3-104

"Certified check"      Section 3-409

"Check"      Section 3-104

"Consideration"      Section 3-303

"Draft"              Section 3-104

"Holder in due course"      Section 3-302

"Incomplete instrument"      Section 3-115

"Indorsement"      Section 3-204

"Indorser"              Section 3-204

"Instrument"      Section 3-104

"Issue"              Section 3-105

"Issuer"              Section 3-105

"Negotiable instrument"      Section 3-104

"Negotiation"      Section 3-201

"Note"              Section 3-104

"Payable at a definite time"      Section 3-108

"Payable on demand"      Section 3-108

"Payable to bearer"      Section 3-109

"Payable to order"      Section 3-109

"Payment"      Section 3-602

"Person entitled to enforce"      Section 3-301

"Presentment"      Section 3-501

"Reacquisition"      Section 3-207

"Special indorsement"      Section 3-205

"Teller's check"      Section 3-104

"Transfer of instrument"      Section 3-203

"Traveler's check"      Section 3-104

"Value"              Section 3-303

(c) The following definitions in other Articles apply to this Article:

"Bank"	Section <u>4-105</u>
"Banking day"	Section <u>4-104</u>
"Clearing house"	Section <u>4-104</u>
"Collecting bank"	Section <u>4-105</u>
"Depository bank"	Section <u>4-105</u>
"Documentary draft"	Section <u>4-104</u>
"Intermediary bank"	Section <u>4-105</u>
"Item"	Section <u>4-104</u>
"Payor bank"	Section <u>4-105</u>
"Suspends payments"	Section <u>4-104</u>

(d) In addition, Article 1 contains general definitions and principles of construction and interpretation applicable throughout this Article.

### **§ 3-104. NEGOTIABLE INSTRUMENT.**

(a) Except as provided in subsections (c) and (d), "**negotiable instrument**" means an unconditional promise or order to pay a fixed amount of money, with or without interest or other charges described in the promise or order, if it:

(1) is payable to bearer or to order at the time it is issued or first comes into possession of a holder;

(2) is payable on demand or at a definite time; and

(3) does not state any other undertaking or instruction by the person promising or ordering payment to do any act in addition to the payment of money, but the promise or order may contain (i) an undertaking or power to give, maintain, or protect collateral to secure payment, (ii) an authorization or power to the holder to confess judgment or realize on or dispose of collateral, or (iii) a waiver of the benefit of any law intended for the advantage or protection of an obligor.

(b) "**Instrument**" means a negotiable instrument .

(c) An order that meets all of the requirements of subsection (a), except paragraph (1), and otherwise falls within the definition of "check" in subsection (f) is a negotiable instrument and a check .

(d) A promise or order other than a check is not an instrument if, at the time it is issued or first comes into possession of a holder, it contains a conspicuous statement, however expressed, to the effect that the promise or order is not negotiable or is not an instrument governed by this Article.

(e) An instrument is a "**note**" if it is a promise and is a "**draft**" if it is an order . If an instrument falls within the definition of both "note" and "draft," a person entitled to enforce the instrument may treat it as either.

(f) "**Check**" means (i) a draft , other than a documentary draft, payable on demand and drawn on a bank or (ii) a cashier's check or teller's check . An instrument may be a check even though it is described on its face by another term, such as "money order."

(g) "**Cashier's check**" means a draft with respect to which the drawer and drawee are the same bank or branches of the same bank.

(h) "**Teller's check**" means a draft drawn by a bank (i) on another bank, or (ii) payable at or through a bank.

(i) "**Traveler's check**" means an instrument that (i) is payable on demand, (ii) is drawn on or payable at or through a bank, (iii) is designated by the term "traveler's check" or by a substantially similar term, and (iv) requires, as a condition to payment, a countersignature by a person whose specimen signature appears on the instrument.

(j) "**Certificate of deposit**" means an instrument containing an acknowledgment by a bank that a sum of money has been received by the bank and a promise by the bank to repay the sum of money. A certificate of deposit is a note of the bank.

### **§ 3-105. ISSUE OF INSTRUMENT.**

(a) "**Issue**" means the first delivery of an instrument by the maker or drawer , whether to a holder or nonholder, for the purpose of giving rights on the instrument to any person.

(b) An unissued instrument , or an unissued incomplete instrument that is completed, is binding on the maker or drawer , but nonissuance is a defense. An instrument that is conditionally issued or is issued for a special purpose is binding on the maker or drawer, but failure of the condition or special purpose to be fulfilled is a defense.

(c) "**Issuer**" applies to issued and unissued instruments and means a maker or drawer of an instrument.

### **§ 3-106. UNCONDITIONAL PROMISE OR ORDER.**

